TRANSLINK

2012 Second Quarter
Financial and Performance Report

Table of Contents

1. **Financial and Performance Summary** 3
2. **Financial and Operating Summary** 6
3. **Consolidated Statement of Operations Analysis** 8
   - Consolidated Revenues 8
   - Consolidated Expenses by Segment 11
   - Consolidated Expenses by Category 14
4. **Investment in Capital Assets** 17
   - Closed Projects 17
   - Cancelled Projects 17
   - Substantially Complete Projects 17
   - Active Projects (excluding substantially complete) 18
   - Approval in Principle Projects 19
5. **Changes in Financial Position** 20
6. **Cash Flows and Liquidity** 21
7. **Changes in Net Financial Liability** 21
8. **Appendices and Consolidated Financial Statements** 22
   - Schedule 1 Consolidated Financial Statements 22
   - Schedule 2 Funded Statement of Operations 29
   - Appendix 2 Rail Operations 32

1. Financial and Performance Summary

Positive second quarter results demonstrate TransLink's is being fiscally responsible.

In this quarter, TransLink made the difficult decision to put on hold approved expansion projects in light of funding uncertainty and undertook more aggressive cost containment. As a result, expenditures are $25.6 million less than budget; however, we will still be drawing down $11 million of reserves to fund existing programs and services.

Revenues are forecast to be on budget and the surplus of revenues over expenditures will be $26.7 million better than budget.

For 2013 and beyond, fuel tax revenue will be significantly below the 2012 Strategic Plan's forecasts. This decrease will impact our ability to deliver planned programs and services. Keeping a focus on fiscal prudence and cost effectiveness, we continue to evaluate the Transportation Commissioner's efficiency recommendations, implementing expeditiously these recommendations where feasible. We will also action any new findings from the provincial audit currently underway.

Importantly, customer satisfaction remains at an all time high, and all line performance measures are exceeding targets.

Strategy Focus and Highlights

TransLink uses a balanced scorecard framework to support its business planning process, using five strategic goals to align the organization: customer, financial, stakeholder, internal effectiveness, and people. For 2012, four strategic priorities have been identified to support the goals. A summary of the activities related to these initiatives is included below.

Compass Card and Faregate

The Compass Card and Faregate project (CCFG) is an important project that will change the way we collect fares, interact with customers and plan service. Compass, a new electronic fare medium, will work with faregates to improve them transit system.

The project's Organizational Change Management initiative has moved into execution that includes communication to all frontline staff, supervisors and management. The Business Process Team continues to focus on the process and procedural changes coming as a result of the project, working closely with the Training Group to ensure integration for the courses to be delivered in late 2012 and early 2013.

Project construction is underway at all Expo, Millennium and Canada line stations as well as the Lonsdale Quay SeaBus terminal. Stations are being prepared for the installation of the new fare collection

equipment, including faregates. During the second quarter, TransLink completed construction at eight Expo Line stations with several others to be completed by September.

Equipment installation on buses and at rail stations began in August and continues through January 2013. A pilot testing program will begin thereafter, followed by a three-month Business Integration Period to test and refine the system and TransLink. TransLink plans to begin transitioning customers to the new fare media in late spring 2013 in anticipation of a complete system-wide implementation later in the summer.

People

Alignment of HR practices continued in the second quarter as BCRTC exempt staff transitioned to the enterprise compensation program and role profile system. Development of a change management tool-kit for managers is being finalized, as well as a variety of training programs including the Management in Motion course, Employees in Motion, and an Enterprise Leadership Development program.

HR also finalized a 1-year collective agreement with COPE Local 378 (ending March 31, 2011) and began bargaining preparations for a new agreement.

Sustainable Funding

Discussions between the Provincial Government and the Mayors' Council regarding sustainable revenue sources are currently on hold while the Province conducts an audit of TransLink to ensure that existing funds are being used as effectively as possible. Pending the outcome of the audit and the implementation of any recommended changes, discussions will resume. As a result, TransLink is developing its current three-year plan within the limitations of existing revenue streams.

Technology

In the second quarter, TransLink also finalized a Payment Card Information (PCI) Framework Policy and continued to progress towards addressing risks associated with payment card information. The activities involved in obtaining formal PCI compliance for AirCare were initiated and certification was subsequently received.

The TravelSmart program held a series of presentations and workshops in the Metro Vancouver area educating the public on better transit use and travel options. In the second quarter, the website (www.travelsmart.ca) had 667 new members and 16,488 unique visitors. TravelSmart also has 514 Facebook friends and 928 twitter followers.

The Real Time Next Bus website (http://nb.translink.ca/) went live in late April and continues to be popular as it now provides customers with real-time bus location and bus departure information. The project team has also upgraded the SMS Text Messaging Service (which receives almost 50,000 hits per day) from "scheduled" to "real time" information. The project team is well on its way to release real-time data through a secure API (Application Program Interface) to external developers (who will develop SmartPhone applications with our data) and Google (which will enhance its transit data to include real-

time data feeds). The Real Time Transit Information project will is expected to be complete by the end of the year.

Golden Ears Bridge

TransLink continued an awareness campaign to promote use of the Golden Ears Bridge (GEB). The team participated in local events and attractions in the communities it serves. The awareness campaign contributed to an increase in traffic volumes of 11 per cent compared to 2011, resulting in more than 28,000 average daily crossings of GEB.

Bill 51

During the second quarter, the Provincial Government passed Bill 51. This transfers of responsibility for the collection of fare evasion fines to TransLink, effective September 4. Bill 51 also changed the date for the adoption of the annual base plan from August 1 to November 1. This allows TransLink to synchronize the three-year-plan process with the budget process.

2. Financial and Operating Summary

SIX MONTHS ENDING JUNE 30
(all numbers in thousands except per unit calculations)

	Q2 YTD 2011	Q2 YTD 2012	Fav/(Unfav) to 2011	Q2 2012 Budget	Fav/(Unfav) to Budget	Target 2012
FINANCIAL PERFORMANCE						
Revenue	647,160	713,282	66,122	671,772	41,510	1,414,497
Expenditures	655,526	672,389	(16,863)	715,285	42,896	1,462,547
Excess (deficiency) of revenue over expenses	(8,366)	40,893	49,259	(43,513)	84,406	(48,050)
FINANCIAL INDICATORS						
Cumulative funded surplus [1]	312,038	307,486	(4,552)	249,767	57,719	249,724
Capital assets	4,484,383	4,408,286	(76,097)	-	-	4,719,781
Net long-term debt (bonds, debentures) [2]	1,845,377	1,852,147	(6,770)	-	-	1,799,654
Deferred concessionaire credits and GEB contractor liability [3]	1,686,931	1,680,430	6,501	-	-	1,669,752
Total net long-term debt [4]	3,532,308	3,532,577	(269)	-	-	3,469,406
Gross interest cost as a % of operating revenue	13.1%	12.3%	(0.8%)	-	-	12.2%
OPERATING INDICATORS						
Scheduled Transit Service						
Overall Performance Rating (out of 10)	7.7	7.7	-	7.7	-	7.7
Revenue passengers	113,931	121,152	7,221	119,289	1,864	237,999
Service hours	3,140	3,168	28	3,179	(11)	6,416
Operating cost recovery	52.3%	51.8%	(0.5%)	49.6%	2.2%	49.6%
Operating cost per revenue passenger	$ 3.63	$ 3.61	$ 0.02	$ 3.80	$ 0.19	$ 3.84
Operating cost per service hour	$ 131.79	$ 137.94	$ (6.15)	$ 142.60	$ 4.66	$ 142.56
Boardings per service hour	55.9	58.6	2.7	57.3	1.3	57.5
Complaints per 1 million boarded passengers	85.4	71.9	13.5	74.3	2.4	74.3
Passenger kilometres	1,354,459	1,425,345	70,886	1,417,797	7,549	2,839,385
Operating cost per passenger kilometre	$ 0.306	$ 0.307	$ (0.001)	$ 0.320	$ 0.013	$ 0.322
Operating cost per passenger kilometre (excluding energy)	$ 0.282	$ 0.281	$ 0.001	$ 0.295	$ 0.014	$ 0.297
Capacity kilometres	5,269,155	5,343,737	74,582	5,383,525	(39,788)	10,845,599
Operating cost per capacity kilometre	$ 0.079	$ 0.082	$ (0.003)	$ 0.084	$ 0.002	$ 0.084
Utilization (passenger kilometres per capacity kilometres)	25.7%	26.7%	1.0%	26.3%	0.4%	26.2%
Access Transit Service						
Revenue passengers	704	704	-	696	8	1,386
Service hours	302	298	(3)	300	(2)	598
Operating cost per revenue passenger	$ 33.33	$ 33.89	$ (0.56)	$ 34.61	$ 0.72	$ 34.80
Operating cost per service hour	$ 77.76	$ 80.05	$ (2.29)	$ 80.22	$ 0.17	$ 80.67
Boardings per service hour	2.55	2.58	0.03	2.54	0.04	2.54
Complaints per 1 million boarded passengers	858.8	953.9	(95.1)	786.7	(167.2)	790.1
Passenger kilometres	3,751	3,819	68	3,774	46	7,521
Operating cost per passenger kilometre	$ 6.25	$ 6.25	$ -	$ 6.38	$ 0.13	$ 6.41
Operating cost per passenger kilometre (excluding energy)	$ 5.89	$ 5.85	$ 0.04	$ 5.99	$ 0.14	$ 6.02
Golden Ears Bridge						
Crossings	4,631	5,167	536	5,099	68	10,860
Average toll per crossing	$ 3.39	$ 3.57	$ 0.18	$ 3.55	$ 0.02	$ 3.59

[1] The cumulative funded surplus as calculated under the SCBCTA Act is the amount of resources available to fund future operations.

[2] Balance includes debt reserve deposits and debt sinking funds.

[3] Includes deferred concessionaire credits and Golden Ears Bridge contractor liability

[4] Net Long term debt + deferred concessionaire credits and GEB contractor liability

Financial Performance and Indicators

Revenues are 10.2 per cent higher YTD compared to 2011 and 6.2 per cent favourable to budget mainly due to a gain of $40.9 million on the sale of surplus properties. Excluding the gain, revenues were 7.9 per cent higher than 2011 and on budget. Expenditures increased $16.9 million or 2.6 per cent over 2011 and were 6.0 per cent favourable to budget mainly due to the timing of capital contributions to municipalities. Excluding roads & bridges, expenditures were 2.3 per cent favourable with savings being realized from all areas of the organization. At the end of June, the cumulative funded surplus was $4.6 million lower than June 2011 but is $57.7 million favourable to the budget target.

Operating Indicators

Conventional System

For the year-to-date results up to June 30, 2012, all cost measures are favourable to the budget target.

Service hours for the first six months of 2012 compared to the same period last year, going up slightly less than one per cent mainly due to an increase in Canada Line service of 12.6 per cent (due to contractual requirements). The Bus division implemented approximately 50,000 additional service hours based on the 2012 Moving Forward Supplemental Plan up to April, at which time the remaining supplemental service was put on hold. The increase in Canada Line contractual payments of 10.2 per cent in 2012 was the driving force in increasing the cost per service hour, and per capacity kilometre, which were up 4.7 per cent and 3.8 per cent respectively over 2011.

With the ongoing service optimization initiative within the Bus division the utilization factor for first half of 2012 increased 3.9 per cent compared to the same period in 2011. The utilization factor compared to 2012 target is also up by 1.5 per cent. This demonstrates we are making strides toward providing the most efficient and effective service possible, reducing overcrowding and increasing ridership.

Access Transit

The first half of 2012 continues in the same manner as the quarter one results. All operating cost measures continue to show a favourable variance; however, complaints are higher than target.

Complaints per million boarded passengers are up by 95 over 2011. This is a reduction over the first quarter results. Service availability concerns account for 85 of the 95 per million boarded passenger complaints.

3. Consolidated Statement of Operations Analysis

Consolidated Revenues

Consolidated Revenues	Q2 Actual 2011	Q2 Actual 2012	Year over Year Change	Year over Year %	Q2 Budget 2012	YTD Budget Variance Fav./ (Unfav.)	YTD Budget Variance %	Q2 Forecast 2012	Annual Budget 2012	Annual Forecast Variance Fav./ (Unfav.)	Annual Forecast Variance %
Taxation	339,402	348,905	9,503	2.8%	348,521	384	0.1%	707,577	707,187	390	0.1%
Transit	216,926	226,550	9,624	4.4%	226,125	425	0.2%	457,931	456,154	1,777	0.4%
Golden Ears Bridge Tolls	15,695	18,461	2,766	17.6%	18,100	361	2.0%	39,741	38,962	779	2.0%
Emissions Testing	9,498	10,426	928	9.8%	10,301	125	1.2%	20,676	20,551	125	0.6%
Transfers from other governments	40,517	40,018	(499)	(1.2%)	42,509	(2,491)	(5.9%)	86,587	85,552	1,035	1.2%
Amortization of deferred concessionaire credit	11,471	11,604	133	1.2%	11,417	187	1.6%	23,254	23,078	176	0.8%
Interest Income	11,533	14,434	2,901	25.2%	13,864	570	4.1%	29,574	27,572	2,002	7.3%
Miscellaneous revenue	2,099	1,935	(164)	(7.8%)	936	999	106.7%	2,000	1,823	177	9.7%
Gain on disposal	19	40,949	40,930	-	-	40,949	-	55,708	55,942	(234)	(0.4%)
PSAB/GAAP Total	647,160	713,282	66,122	10.2%	671,774	41,508	6.2%	1,423,048	1,416,821	6,227	0.4%
Funding Adjustments:											
Emissions Testing	(9,498)	(10,426)	(928)	(9.8%)	(10,301)	(125)	(1.2%)	(20,676)	(20,551)	(125)	0.6%
Transfers from other governments	(16,129)	(30,080)	(13,951)	(86.5%)	(32,953)	2,873	8.7%	(66,755)	(65,883)	(872)	1.3%
Amortization of deferred concessionaire credit	(11,471)	(11,604)	(133)	(1.2%)	(11,417)	(187)	(1.6%)	(23,254)	(23,078)	(176)	0.8%
Interest Income	(10,226)	(12,925)	(2,699)	(26.4%)	(12,283)	(642)	(5.2%)	(26,492)	(25,448)	(1,044)	4.1%
Funded Total	599,836	648,247	48,411	8.1%	604,819	43,428	7.2%	1,285,871	1,281,861	4,010	0.3%

Overview

Total revenues for the first half of 2012 were $66.1 million (10.2 per cent) greater than the same period in 2011. The sale of surplus property accounts for two-thirds of the increase. The balance is mainly from transit revenue and higher taxation revenues. Excluding the gain, year-to-date revenues are on target with the budget. At year-end it is expected that revenues will be $6.2 million (0.4 per cent) greater than budget mainly due to increased interest revenue, transit revenue, and transfers from other governments.

Taxation

Taxation Revenues	Q2 Actual 2011	Q2 Actual 2012	Year over Year Change	Year over Year %	Q2 Budget 2012	YTD Budget Variance Fav./ (Unfav.)	YTD Budget Variance %	Q2 Forecast 2012	Annual Budget 2012	Annual Forecast Variance Fav./ (Unfav.)	Annual Forecast Variance %
Fuel tax	156,445	160,281	3,836	2.5%	160,380	(99)	(0.1%)	330,783	330,783	-	0.0%
Property and replacement tax	148,061	152,750	4,689	3.2%	152,784	(34)	(0.0%)	305,441	305,568	(127)	(0.0%)
Parking rights tax	25,592	26,428	836	3.3%	25,900	528	2.0%	52,128	51,600	528	1.0%
Hydro levy	9,304	9,446	142	1.5%	9,457	(11)	(0.1%)	19,225	19,236	(11)	(0.1%)
Total taxation	339,402	348,905	9,503	2.7%	348,521	384	0.1%	707,577	707,187	390	0.1%

Under the South Coast British Columbia Transportation Authority (SCBCTA) Act, TransLink is permitted to raise revenues by means of taxes. Year-to-date taxation revenues are $9.5 million (2.7 per cent) higher than 2011 year to date and on target with the budget.

Fuel tax revenues increased by $3.8 million (2.5 per cent) for 2012 compared to the same period of 2011 due to an increase in tax rate from $0.15 per litre in 2011 to $0.17 per litre starting April 1, 2012. TransLink continues to face significant risks on fuel tax revenues as a result of high fuel prices, improved gas efficiency in vehicles, increased ridership, and leakage as people fuel their vehicles outside the region, and the volatility of negative adjustments related to prior periods. The forecast for fuel tax revenue remains unchanged from budget. Total net sales volume reported by the Consumer Taxation Branch (CTB) in TransLink's region for the first five months of 2012 increased by 0.1 per cent compared to the same time in 2011. However, retail sales volume trends from other sources showed a two per cent decline in fuel sales volumes for the first five months of 2012 compared to the same time in 2011. The budget utilized a decline of 3.1 per cent over 2011 actual volumes.

Parking rights taxes year to date increased by $836 thousand (3.3 per cent) over 2011 as a result of an increase in the net amounts remitted by parking vendors and a 4.6 per cent growth in the number of registered parking vendors. The increases in remittances also lead to revenues being $528 thousand (2.0 per cent) higher than budget. As of the end of June, TransLink was administering remittances of the parking tax from 523 active vendors. The forecast for parking rights tax revenue assumes the remainder of 2012 will be on budget.

Property and replacement tax revenue increased by $4.7 million (3.2 per cent) over 2011.

Transit

Transit Revenues	Q2 Actual 2011	Q2 Actual 2012	Year over Year Change	Year over Year %	Q2 Budget 2012	YTD Budget Variance Fav./ (Unfav.)	YTD Budget Variance %	Q2 Forecast 2012	Annual Budget 2012	Annual Forecast Variance Fav./ (Unfav.)	Annual Forecast Variance %
Transit - fares											
Farebox	52,859	52,605	(254)	(0.5%)	55,189	(2,584)	(4.7%)	110,463	113,091	(2,628)	(2.3%)
Prepaid fares	123,033	125,617	2,584	2.1%	121,991	3,626	3.0%	248,823	243,033	5,790	2.4%
Prepaid contract	35,510	42,485	6,975	19.6%	43,457	(972)	(2.2%)	86,237	88,743	(2,506)	(2.8%)
Total transit fares	211,402	220,707	9,305	4.4%	220,637	70	0.0%	445,523	444,867	656	0.1%
Transit - other	5,524	5,843	319	5.8%	5,488	355	6.5%	12,408	11,287	1,121	9.9%
Total transit revenue	216,926	226,550	9,624	4.4%	226,125	425	0.2%	457,931	456,154	1,777	0.4%
Ridership											
Boarded passengers	176,400	186,457	10,057	5.7%	183,035	3,422	1.9%		370,161		
Revenue passengers	114,635	121,843	7,208	6.3%	119,984	1,859	1.5%		239,386		
Average fare/ revenue passenger	$ 1.84	$ 1.81	$ (0.03)	(1.8%)	$ 1.84	$ (0.03)	(1.5%)		$ 1.86		

Transit revenues consist of transit fares and other transit related revenues such as advertising. Year-to-date transit revenues increased by $9.6 million (4.4 per cent) compared to the second quarter of 2011.

Transit fares contributed $9.3 million (4.4 per cent) of the increase. Fare revenue grew at a lower rate than ridership resulting in average fare declining 1.8 per cent due to a shift to more discount product use.

Transit revenue was essentially on budget overall.

Transit revenue for 2012 is forecast to be $1.8 million (0.4 per cent) above budget at year end. Transit fares are higher by $0.7 million (0.1 per cent) mainly based on the year-to-date growth in the Employer Pass Program and monthly FareCards, partially offset by the unfavourable variances in other products. Other transit related revenue is forecast to be $1.1 million (9.9 per cent) above budget at year end mainly due to unbudgeted fare infraction revenue as well as increased advertising revenue from billboards and mobile customer application product.

Golden Ears Bridge Tolls

Toll revenue for the first half of 2012 increased $2.8 million (17.6 per cent) over the same period in 2011. Average daily crossings in the first six months of 2012 grew by about 6.6 per cent compared to the same time last year. Also contributing to higher revenue were inflationary increases in the toll rates between $0.05 and $0.30 per crossing effective July 15, 2011.

Year-to-date toll revenue was $361 thousand (2 per cent) above budget as actual vehicle crossings were greater than expected. This was offset by an increase in customer registrations, resulting in more discounted toll rates being charged.

Toll revenue for 2012 is forecast to be $779 thousand (2 per cent) above budget based on current trends.

Emissions Testing

Revenues have increased by $0.9 million (9.8 per cent) due to more biennial inspections in the first half of 2012 compared to 2011. Year to date, revenue is $0.1 million above budget and more or less breakeven on the number of tests. Revenue is expected to be maintained at the budgeted level for the remainder of the year.

Government Transfers

Three quarters of this funding is restricted to purchases of capital assets while the remainder is provincial funding towards the Canada Line operations. Revenue from capital is recognized when the asset is placed in service and if there are stipulations in the agreement for repayments over a specified time period the revenues are amortized over that period. All variances are related to timing of projects.

Interest Income

Interest income increased $2.9 million (25.2 per cent) over 2011. This is attributed to higher debt sinking funds (2011 contribution of $111 million).

Interest income was slightly higher than budgeted at the end of June and is forecast to be $2.0 million (7.3 per cent) higher by year end due to the proceeds of the February 2012 $100 million 40-year bond issue being placed into the debt sinking funds.

Funding Adjustments

Funding adjustments are the changes required to the income statement to calculate the cumulative funded surplus under the SCBCTA Act, which is defined as the amount of resources available to fund future operations.

Consolidated Expenses by Segment

Consolidated Expenditures by Segment	Q2 Actual 2011	Q2 Actual 2012	Year over Year Change	Year over Year %	Q2 Budget 2012	YTD budget Variance Fav./ (Unfav.)	YTD budget Variance %	Q2 Forecast 2012	Annual Budget 2012	Annual Forecast Variance Fav./ (Unfav.)	Annual Forecast Variance %
AirCare	9,393	8,238	(1,155)	(12.3%)	8,550	312	3.7%	17,853	17,095	(758)	(4.4%)
Bus division	297,366	302,991	5,625	1.9%	311,169	8,178	2.6%	611,066	625,953	14,887	2.4%
Corporate	28,892	35,121	6,229	21.6%	39,341	4,220	10.7%	92,364	92,751	387	0.4%
Rail division	111,006	117,870	6,864	6.2%	120,694	2,824	2.3%	242,597	244,185	1,588	0.7%
Roads & Bridges	34,236	30,520	(3,716)	(10.9%)	57,653	27,133	47.1%	109,444	118,329	8,885	7.5%
Transit Police	13,246	13,067	(179)	(1.4%)	14,538	1,471	10.1%	28,449	29,696	1,247	4.2%
Depreciation and Interest *	161,387	164,582	3,195	2.0%	163,338	(1,244)	(0.8%)	337,487	336,859	(628)	(0.2%)
PSAB/GAAP Total	655,526	672,389	16,863	2.6%	715,283	42,894	6.0%	1,439,260	1,464,869	25,600	1.7%
Funding Adjustments:											
AirCare	(9,578)	(8,238)	1,340	14.0%	(8,664)	(426)	(4.9%)	(17,853)	(17,323)	530	(3.1%)
Corporate	(23)	(57)	(34)	(147.9%)	-	57	-	(102)	-	102	N/A
Roads & Bridges	(10,590)	(6,019)	4,571	43.2%	(31,723)	(25,703)	(81.0%)	(58,555)	(66,195)	(7,640)	11.5%
Depreciation and Interest	(104,643)	(105,452)	(809)	(0.8%)	(107,766)	(2,314)	(2.1%)	(217,955)	(217,307)	648	(0.3%)
Debt Repayment	46,729	48,189	1,460	3.1%	48,467	279	0.6%	97,752	101,004	3,252	3.2%
GEB Capital Payments	20,599	27,033	6,434	31.2%	27,175	142	0.5%	54,632	54,807	175	0.3%
In-house insurance (TPCC)	-	630	630	-	-	(630)	-	-	-	-	N/A
Funded Total	598,020	628,474	30,454	5.1%	642,772	14,299	2.2%	1,297,179	1,319,855	22,676	1.7%

* Shown as a separate line to help facilitate analysis of debt service costs as GAAP statements allocate these amounts to the various segments.

Overview

For the first half of 2012, expenditures increased by $16.9 million (2.6 per cent) in comparison to 2011 spending. A favourable variance of $42.9 million (6.0 per cent) to budget year to date resulted mainly from lower capital infrastructure transfer payments for Roads and Bridges along with lower spending from the rest of the organization. Expenditures are forecast to be under budget at year-end by $25.6 million (1.7 per cent). The 2012 Supplement included $13.9 million in operating costs for additional service and debt service costs related to capital and $7.5 million in funding for strategic priorities. Some supplemental projects and service have been put on hold as spending is being adjusted to mitigate revenue risk and while service optimization and recovery times are being aggressively pursued.

AirCare

Expenditures were $1.2 million (12.3 per cent) lower in the second quarter of 2012 compared to 2011 mainly due to a fee reduction on the one-year contract extension with Envirotest Canada. Year-to-date expenditures are $0.3 million (3.7 per cent) below budget. The majority of this favourable variance is the result of savings on professional fees. The expenditures will be over budget at year-end due to expenditures related to the winding down of the program at the end of 2014.

Bus Division

Operating expenditures were $5.6 million (1.9 percent) higher year to date in 2012 over 2011 and were $8.2 million (2.6 percent) favourable to budget. The increased costs are partially due to the 2012 Moving Forward Supplemental Plan's additional 29,000 service hours implemented in December 2011 and April 2012. Fuel and power costs have increased with a rise in diesel prices and electricity rates, and maintenance costs were higher than last year due to higher service kilometres. Labour costs were up

from 2011 due to increased service, pay rate step increases and higher WorkSafe BC and other employer paid benefit costs. Salaries and wages were favourable to budget because of lower average pay rates due to lower overtime and temporary position vacancies.

The forecast to the end of 2012 includes the favourable spending variances year to date and the impact of not implementing the originally planned Summer and Fall 2012 Supplemental service increases. The second quarter forecast is for expenditures to be under budget for 2012 by $14.9 million (2.4 percent) of which $3M is attributable to the deferral of service, while the remainder is an outcome of the implementation of several cost-saving initiatives. Labour costs are expected to be $9.9 million favourable with the deferred service, reduced new operator training and already realized 2012 labour savings through staffing efficiencies. Fuel costs are forecast to be $2.1 million favourable with the reduced service levels offsetting slightly higher diesel prices. Maintenance and utilities costs are forecast to be $1.5 million favourable with the deferred service and year-to-date savings. Expenditures in the other areas overall are expected to be on budget including the adjustments from a number of second quarter year-to-date timing differences.

Rail Division

The rail division's operating expenditures for the first half of 2012 were $2.8 million (2.3 per cent) below budget, and $6.9 million (6.2 per cent) higher compared to the same period of 2011. The under run during the first six months of 2012 compared to budget was mainly due to maintenance timing differences, vacant positions, lower than expected contractual payments related to Canada Line and CP Rail, lower hydro and fuel costs, offset by exempt role profiling salary adjustments, exempt merit increases and capital project recoveries. The increase compared to the prior year was primarily a result of Canada Line concessionaire agreement, increased wages and benefits from exempt increases and adjustments from the collective agreement ratified in April 2011, maintenance costs, higher diesel fuel prices and hydro rate increases.

For fiscal 2012, the rail division forecasts its year-to-date variance will decrease and operating expenditures will be below budget by $1.6 million (0.7 per cent). The under-run is mainly attributed to contractual Canada Line and CP Rail costs, position vacancies and maintenance costs offset by increased estimates of post-retirement benefit costs.

Corporate

Operating expenditures were $6.2 million (21.6 per cent) higher than 2011. The variance is mainly due to increased labour costs of $3.7 million. Professional fees were $1.6 million higher in 2012 due to higher feasibility costs, most notably for the Pattullo Bridge. Computer systems costs were $1 million higher mainly due to additional software licenses.

The results for the first six months of 2012 show a $4.2 million (10.7 per cent) favourable variance to budget. Savings realized on vacant positions amounted to $1.7 million. Lower than budgeted costs of

$3.0 million for computers and systems, marketing, training costs, and costs related to one-time projects were due to timing differences. These are forecast to be on budget at year-end.

At year-end, overall expenditures are expected to be on budget. Vacancy savings of $1.8 million will be offset by higher costs for feasibility studies ($1.2 million over budget) due to 2011 active projects carried over into 2012, mainly for the Pattullo Bridge. These are offset by savings from cancelled projects. Employee future benefit costs are also forecast to be $400 thousand over budget.

Transit Police

Overall Transit Police expenditures were $13.0 million in 2012, a decrease of $0.2 million (1.4 per cent) compared to the previous year. Salary costs were the major factor in the decrease due to overtime savings and not replacing officers who are off duty due to injury or illness. Costs in 2011 also included secondment costs for the Acting Chief Officer and higher legal fees compared to 2012.

During the first half of 2012 a favourable variance of $1.5 million (10.1 per cent) is being realized compared to budget. This is comprised of $0.9 million in salary costs due to vacancies, sworn members on long-term disability and lower overtime costs. Timing differences in administration and material costs accounted for $0.5 million.

A favourable variance of $1.2 million (4.2 per cent) is forecast to the end of the year. This is largely due to salary savings realized year to date.

Depreciation and Interest

Depreciation and interest was $3.2 million (2.0 per cent) higher than in 2011 year to date and $1.2 million (0.8 per cent) favourable to budget. The forecast is in line with the budget estimate. Lower depreciation expense due to the timing of project completions is offset by higher interest costs due to the earlier than planned bond issue.

Consolidated Expenses by Category

Consolidated Expenditures by Category	Q2 Actual 2011	Q2 Actual 2012	Year over Year Change	Year over Year %	Q2 Budget 2012	YTD Budget Variance Fav./ (Unfav.)	YTD Budget Variance %	Q2 Forecast 2012	Annual Budget 2012	Annual Forecast Variance Fav./ (Unfav.)	Annual Forecast Variance %
Administration	9,507	11,239	1,732	18.2%	14,681	3,442	23.4%	27,761	30,041	2,279	8%
AirCare	9,579	8,238	(1,341)	(14.0%)	8,550	312	3.7%	17,853	17,323	(530)	(3.1%)
Amortization of Capital Assets	76,342	76,520	178	0.2%	79,271	2,751	3.5%	161,594	163,821	2,228	1.4%
Capital Infrastructure contributions	10,590	6,019	(4,571)	(43.2%)	31,723	25,704	81.0%	58,555	66,195	7,640	11.5%
Contracted Services	92,595	98,115	5,520	6.0%	99,289	1,174	1.2%	199,350	200,248	898	0.4%
Fuel and Power	31,302	35,499	4,197	13.4%	36,764	1,265	3.4%	72,512	74,919	2,407	3.2%
Insurance	9,186	8,993	(193)	(2.1%)	9,770	777	7.9%	20,286	19,830	(457)	(2.3%)
Interest	84,859	88,062	3,203	3.8%	84,067	(3,995)	(4.8%)	175,894	172,810	(3,084)	(1.8%)
Maintenance, Materials and Utilities	48,391	50,064	1,673	3.5%	53,827	3,763	7.0%	107,314	110,273	2,959	2.7%
Professional and Legal	4,809	7,463	2,654	55.2%	7,707	244	3.2%	19,395	17,322	(2,072)	(12.0%)
Rentals, Leases and Property Tax	18,085	18,184	99	0.5%	18,423	239	1.3%	37,074	37,082	8	0.0%
Salaries, Wages and Benefits	260,281	263,993	3,712	1.4%	271,212	7,219	2.7%	541,671	555,005	13,334	2.4%
PSAB/GAAP Total	655,526	672,389	16,863	2.6%	715,283	42,894	6.0%	1,439,260	1,464,869	25,609	1.7%
Funding Adjustments:											
AirCare	(9,579)	(8,238)	1,341	14.0%	(8,664)	(426)	(4.9%)	(17,853)	(17,323)	530	(3.1%)
Amortization of Capital Assets	(71,929)	(72,130)	(201)	(0.3%)	(74,544)	(2,414)	(3.2%)	(151,198)	(150,550)	648	(0.4%)
Government Funding Admin	(23)	(57)	(34)	(147.9%)	-	57	-	(102)	-	102	-
Interest	(32,714)	(33,322)	(608)	(1.9%)	(33,222)	100	0.3%	(66,757)	(66,757)	-	0.0%
GEB Capital Payments	20,599	27,033	6,434	31.2%	27,175	142	0.5%	54,632	54,807	175	0.3%
MRN Capital Funding	(10,590)	(6,019)	4,571	43.2%	(31,723)	(25,703)	(81.0%)	(58,555)	(66,195)	(7,640)	11.5%
Principle Repayments	40,234	39,472	(762)	(1.9%)	48,467	8,996	18.6%	78,971	101,004	22,033	21.8%
Debt Repayment Reserves	6,495	8,717	2,222	-	-	(8,717)	N/A	18,781	-	(18,781)	N/A
In-house insurance (TPCC)	-	630	630	-	-	(630)	N/A		-	-	N/A
Funded Total	598,019	628,474	30,455	5.1%	642,772	14,299	2.2%	1,297,179	1,319,855	22,676	1.7%

Administration

Year-to-date costs in 2012 are $1.7 million (18.2 per cent) higher than 2011. Costs include increased software license costs of $1.1 million, and higher marketing costs of $0.3 million. Year-to-date costs are $3.4 million (23.4 per cent) under budget consisting of lower computer licence costs, lower training costs, lower travel and meeting costs, and reduced marketing expenditures. Some of these savings are timing issues, with the forecast expected to be under budget by $2.3 million (8 per cent).

Amortization of Capital Assets

Costs for amortization of capital assets are $2.8 million (3.5 per cent) under budget year to date and are expected to be $2.2 million (1.4 per cent) under budget by year-end. This is due to the timing of completion of projects and the cancellation of over 30 projects.

Capital Infrastructure contributions

Infrastructure payments were $4.6 million (43.2 per cent) lower than the previous year and $25.7 million (81 per cent) lower than budget. The variances are timing issues related to municipal contributions. The municipalities govern when the work is done in their jurisdictions and work schedules are dependent on weather. Contributions are recorded when the municipalities provide TransLink with an invoice. The annual forecast is for lower spending of $7.6 million (11.5 per cent).

Contracted Services

This includes services contracted to other organizations in whole or in part such as the Golden Ears Bridge, Canada Line, HandyDART, West Vancouver transit service, some Community Shuttle services, and other vehicle and infrastructure maintenance. The increase of $5.5 million (6 per cent) over 2011 is mainly due to the contractual increase for the Canada Line service. Year to date there is a favourable variance of $1.2 million (1.2 per cent) for the Canada Line service as costs for additional services and change orders are lower than budgeted. The year-end variance will be favourable by $0.9 million (0.4 per cent).

Fuel and Power

Fuel and power costs have increased by $4.2 million (13.4 per cent) with a rise in diesel prices and electricity rates and the additional service kilometres in 2012. Year to date, the price of diesel and hydro has been slightly lower than budgeted, resulting in a favourable variance of $1.3 million (3.4 per cent). Fuel and power costs are forecast to be $2.4 million (3.2 per cent) favourable with the reduced service levels offsetting slightly higher diesel prices.

Interest

Higher debt levels have increased the interest expense over 2011 by $3.2 million (3.8 per cent). Interest is also $4.0 million (4.8 per cent) higher than budget. This is due to an earlier than budgeted debt issue of $100 million in February, 2012 (offset by higher interest income). Interest is forecast to be $3.1 million (1.8 per cent) unfavourable to budget at the end of the year. This is lower than the year-to-date variance as the budget included borrowing for capital under the 2012 Moving Forward Supplemental Plan which has now been put on hold.

Maintenance, Materials and Utilities

Maintenance, materials and utilities are $1.7 million (3.5 per cent) higher than 2011 due to increased kilometres delivered by both the Bus and Rail Divisions. The favourable year-to-date variance of $3.8 million (7 per cent) to budget is due mainly to the decrease in kilometres compared to the target; however there are some timing differences which will result in the annual forecast at $3.0 million (2.7 per cent) below budget.

Professional and Legal

Professional and legal fees are $2.7 million (55.2 per cent) higher than the same period in 2011. This increase is related to costs in 2012 for the development of the 2045 Transportation Plan, the Golden Ears Bridge interoperability project, and the Pattullo Bridge feasibility study. The forecast for 2012 is $2.1 million (12.0 per cent) over budget. The main drivers are business intelligence and data warehousing costs related to the Compass card project and planning for stations and exchanges, and a review of the Major Road Network.

Salaries, Wages and Benefits

Salaries, wages and benefits increased by $3.7 million (1.4 per cent) in the first half of 2012 compared to the same period in 2011. The increase can be attributed to merit, length of service, contractual increases for COPE employees, higher WorkSafe BC costs, and increases in actuarial estimate for employee future benefit costs.

Year-to-date salaries, wages and benefits are $7.2 million (2.7 per cent) favourable. Savings have been realized from delays in filling vacant positions throughout the entire organization and lower overtime particularly in the Bus Division. This will continue to the end of the year with a favourable variance of $13.3 million (2.4 per cent) expected.

4. Investment in Capital Assets

Capital Program Summary – June 30, 2012

($ amounts in thousands)

		Budgets		Actuals		Forecasts/Variances			
Description	Number of Projects	Original	Current	Prior to 2012	2012 Actuals	2012 Actuals & Forecast	Final Forecast Total	Variance to Current Budget	Forecast Funding
Active and AIP Projects Jan 01 2012	226	2,091,730	2,096,664	925,699	-	541,913	2,069,688	26,976	756,161
Add: Adhoc projects added	3	493	493				493	-	55
2012 expenditures and forecast changes				301	70,709	(157,920)			
Less: Projects Closed during 2012	(25)	(83,154)	(62,603)	(62,000)		4,787	(57,214)	(5,389)	(1,471)
Projects Canceled in 2012	(34)	(82,016)	(82,016)			(63,778)	(82,016)		(41,187)
Substantially Complete	(50)	(723,311)	(747,598)	(708,074)	(7,120)	(18,496)	(726,676)	(20,922)	(326,762)
Project count and budget adjustments *	(2)	(127)	(6,189)			38,852	(19,318)	13,128	(318)
Active and AIP Projects Jun 30 2012	118	1,203,615	1,198,751	155,926	63,589	345,357	1,184,958	13,793	386,479
Active Projects (excl Substantially Complete) A:	75	710,737	705,873	155,925	63,589	216,115	692,080	13,793	323,317
AIP Projects as on Jun 30, 2012 B:	43	492,878	492,878			129,242	492,878	0	63,162
Total Capital Program (excl Substantially Complete) A+B:	118	1,203,615	1,198,751	155,925	63,589	345,357	1,184,958	13,793	386,479

* Contribution type projects move out of AIP but not into Active; some project AIP to SPA are multiphased and counts have to be adjusted

Closed Projects

25 projects, with a total cost of $57.2 million and a related budget of $62.6 million, were completed and closed in the first half of 2012. This includes $19 million for the TVM equipment project for Canada Line/West Coast Express, and $18 million for the Knight Street bridge seismic upgrade. These projects had a total favourable variance of $5.4 million. TransLink regularly monitors the contingency budgets to ensure levels are appropriate. Of the projects closed in the first half of 2012, contingency made up 12 per cent of the total budget and 8 per cent was utilized.

Cancelled Projects

In response to the uncertainty of future revenues 34 projects were cancelled. These projects spanned a number of years totalling $82 million. Notable cancellations are 2013 bus purchases; instead, TransLink will reduce its spare ratio. Also cancelled were the Commercial-Broadway 99 B-Line bus shelters and TravelSmart upgrades.

Substantially Complete Projects

A total of 50 projects with a total cost of $726.7 million and a related budget of $747.6 million, were deemed substantially complete and in the final stages of project activity. Approximately $11.4 million is to be spent in 2012 and $0.1 million in 2013. The total expected favourable variance for these projects is $20.9 million.

Active Projects (excluding substantially complete)

($ amounts in thousands)

		Budgets		Actuals		Forecasts/Variances			
	Number of Projects	Original	Current	Prior to 2012	2012 Actuals	2012 Actuals & Forecast	Final Forecast Total	Variance to Current Budget	Forecast Funding
Equipment	11	19,667	19,383	8,094	1,235	8,337	18,364	1,019	
Facilities	18	223,609	216,846	48,130	24,192	50,456	213,763	3,083	89,006
Infrastructure	20	316,939	320,943	64,928	30,857	112,377	314,953	5,990	156,701
Major Construction	1	15,692	341	1,204	(49)	(863)	341	-	
Minor Capital Account	1	700	8,287	102	(102)	1,199	8,288	(1)	
Technology Applications	17	29,253	32,156	7,253	3,100	15,125	31,503	653	3,843
Vehicle - Non Revenue	2	750	674		66	410	560	114	
Vehicle - Other Revenue	2	12,204	15,195	109	3,789	12,509	14,543	652	
Vehicle Convention Revenue	3	91,923	92,048	26,105	501	16,564	89,765	2,283	73,767
Grand Total	**75**	710,737	**705,873**	155,925	63,589	**216,115**	**692,080**	**13,793**	**323,317**

As at June 30, 2012, there were 75 active projects with a current budget of $705.9 million. The active project variance of $13.8 million represents 1.9 per cent of the original budget and was primarily made up of the following projects:

Equipment: Variance of $1.0 million

The major component is the CCTV Cameras on Buses project (0613) being under budget by $1.0 million due to savings in system development costs and unused contingency.

Facilities: Variance of $3.1 million

The major components of this variance are:

- The TOH Knight Group Rectifier Station Replacement project (0908) – savings on design, procurement, permits, and interest during construction.
- The Burnaby Transit Centre North Renovations (1001) – savings in construction contracts.

Infrastructure: Variance of $6.0 million

The major components of this variance are:

- The Canada Line Bus Loops project (0620) – the Brighouse bus loop is being deferred to the middle of 2015 and unused contingency.
- The Kingsway Trolley Overhead Rectifier Station Building Envelope Rehabilitation (project 1003) – savings in contract award and unused contingency.

Vehicles – Other Revenue: Variance of $0.7 million

The major component of the variance is due to the 2012 HandyDART Vehicle replacement project savings in procurement contracts and unused contingency.

Vehicles – Conventional Revenue: Variance of $2.3 million

The major component is the West Coast Express Fleet and Facility Expansion (project 0914), which is expected to be under budget in vehicle procurement and unused contingency.

Approval in Principle Projects

At the period ending June 30, 2012, there were 43 projects that had not yet started with a total Approval in Principle (AiP) budget of $492.9 million. The largest project is the Evergreen Line contribution with a budget of $375 million. Work is underway however no contribution has been made to the Province.

The remaining projects consist mainly of $14 million for TransLink projects such as IT enhancements and SkyTrain station designs, $63 million for Rail Division projects such as vehicle refurbishment and switch control replacement, and $41 million for Bus Division projects such as facilities improvements and revenue vehicle replacements.

5. Changes in Financial Position

($ thousands)

	June 30, 2012	Dec 31, 2011	Fav/(Unfav) to 2011	% Change
Financial Assets				
Cash & Investments	63,767	222,601	(158,834)	(71.4%)
Accounts receivable	230,269	79,059	151,210	191.3%
Restricted cash and investments	291,557	295,926	(4,369)	(1.5%)
Debt reserve deposits & sinking funds	735,618	601,139	134,479	22.4%
Liabilities				
Accounts payable and accrued liabilities	153,842	180,563	(26,721)	(14.8%)
Debt	2,587,765	2,459,778	127,987	5.2%
Deferred government transfer	1,151,298	1,179,353	(28,055)	(2.4%)
Deferred concessionaire credits & Golden Ears Bridge contractor liability	1,680,430	1,685,702	(5,272)	(0.3%)
Other Liabilities	71,548	67,590	3,958	5.9%
Non-Financial Assets				
Tangible capital assets	$ 4,408,286	$ 4,426,404	$ (18,118)	(0.4%)
Supplies inventory	$ 40,142	$ 39,434	$ 708	1.8%
Prepaid expenses	$ 15,166	$ 7,452	$ 7,714	103.5%

Financial Assets

Cash and investments has decreased by $158.8 million (71.4 per cent) in the first half of 2012. The increase in accounts receivable of $151.2 million (191.3 per cent) was mainly related to property tax income that will be received from the municipal governments by August 2012. The restricted cash and investments include funds realeased to pay for eligible capital projects net of interest earned. The increase in debt reserve deposits and sinking funds of $134.5 million (22.4 per cent) represents the proceeds from the TransLink $100 million 40-year bond issuance which was earmarked to refinance certain existing MFA debt due in Dec/2012, June/2013, and Oct/2014. Debt reserve deposits is interest earned and reinvested in these funds.

Liablities

Long-term bond interest was paid April, 2012 which has reduced the outstanding liability by $26.7 million (14.8 per cent). TransLink issued a $100 million 40-year bond in February, 2012. The deferred government transfer balance which is $28 million (2.4 per cent) lower, primarily represents the unearned portion of government funding due to (i) funds not yet spent or (ii) the stipulation to hold the assets over a pre-defined period. The change in the balance represents the portion of funding earned by meeting the stipulation holding period of the asset. The balance of the deferred concessionaire credit

and Golden Ears Bridge contractor liability is $5.3 million (0.3 per cent) lower than December 2011 and represents funding provided by the concessionaire to the Canada Line project in exchange for the right to operate, a non-cash balance amortized over the concession term ending in July 2040. The Golden Ears Bridge contractor liability represents a fixed price contract with the contractor. The balance increased because the interest expense exceeds the payments in the early years. The liability is set up so that principal payments commence during 2015. Other liabilities include employee future benefit costs which have increased due to the actuarial estimate in 2012.

Non-Financial Assets

The total tangible capital assets has decreased by $18.1 million (0.4 per cent) as capital spending has slowed. The prepaid expenses have increased by $7.7 million (103.5 per cent) due to the timing of insurance payments and amortization of prepaid expenses.

6. Cash Flows and Liquidity

The operating cash outflow for the first quarter of 2012 was $139 million as the property taxes are accrued (receivable on August 1st) and payment of year-end accruals. This outflow plus $4 million in sinking fund interest earned (non-cash revenue) and $17 million in net capital spending was funded by a $160 million draw on cash and investments.

TransLink's liquidity at June 30, 2012 included $40.5 million in cash and $23.2 million in near cash investments (money market mutual funds and money market instruments maturing within 30 days). In addition, TransLink has $120 million of its $500 million Commercial Paper program outstanding.

7. Changes in Net Financial Liability

In February 2012 a $100 million 40-year bond was issued and the full proceeds of this issue were transferred into TransLink's self-administered sinking funds and the investment has been earmarked solely for the repayment of three MFA debentures at their next renewal dates.

8. Appendices and Consolidated Financial Statements

Schedule 1 Consolidated Financial Statements

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Financial Position
(in thousands of dollars)

June 30, 2012, with December 31, 2011 comparative figures

	June 30, 2012	Dec. 31, 2011
Financial Assets		
Cash	$ 40,543	$ 94,290
Accounts receivable	230,269	79,059
Restricted cash and investments	291,557	295,926
Investments	23,224	128,311
Debt reserve deposits	42,882	42,250
Debt sinking funds	692,736	558,889
	1,321,211	1,198,725
Liabilities		
Accounts payable and accrued liabilities	153,842	180,563
Debt	2,587,765	2,459,778
Deferred government transfer	1,151,298	1,179,353
Employee future benefits	71,194	67,144
Deferred concessionaire credits	653,948	665,552
Golden Ears Bridge contractor liability	1,026,482	1,020,150
Deferred lease inducements - net	354	446
	5,644,883	5,572,986
Net Debt	(4,323,672)	(4,374,261)
Non-Financial Assets		
Tangible capital assets	$ 4,408,286	$ 4,426,404
Supplies inventory	40,142	39,434
Prepaid expenses	15,166	7,452
	4,463,594	4,473,290
Accumulated surplus	$ 139,922	$ 99,029

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Operations
(in thousands of dollars)

Six months ended June 30, 2012, with comparative figures for 2011

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Taxation	$ 348,521	$ 348,905	$ 339,402
Transit	226,125	226,550	216,926
Golden Ears Bridge tollings	18,100	18,461	15,695
Emissions testing	10,301	10,426	9,498
Government transfers	42,508	40,018	40,517
Amortization of deferred concessionaire credit	11,417	11,604	11,471
Interest income	13,864	14,434	11,533
Miscellaneous revenue (including recoveries)	936	1,935	2,099
Gain on disposal	-	40,949	19
	671,772	713,282	647,160
Expenses:			
Aircare	8,664	8,238	9,579
Bus division	377,938	370,412	365,483
Corporate	43,696	39,515	33,505
Rail division	163,777	161,369	151,393
Roads & Bridges	106,659	79,776	82,307
Transit Police	14,551	13,079	13,259
	715,285	672,389	655,526
(Deficit) surplus for the period	(43,513)	40,893	(8,366)
Accumulated surplus, beginning of year	99,029	99,029	151,501
Accumulated surplus, end of period	$ 55,516	$ 139,922	$ 143,135

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Changes in Net Financial Liabilities
(in thousands of dollars)

Six months ended June 30, 2012, with December 31, 2011 comparative figures

	June30, 2012	Dec. 31, 2011
Surplus (deficit) for the period	$ 40,893	$ (52,472)
Acquisition of tangible capital assets	(68,969)	(106,096)
Amortization of tangible capital assets	76,520	161,178
Gain on disposal of tangible capital assets	(40,949)	(171)
Net proceeds on disposal of tangible capital assets	51,516	15,772
	18,118	70,683
Change in supplies inventories	(708)	(3,099)
Change in prepaid expenses	(7,714)	1,220
	(8,422)	(1,879)
Decrease in net debt	50,589	16,332
Net debt, beginning of year	(4,374,261)	(4,390,593)
Net debt, end of period	$ (4,323,672)	$ (4,374,261)

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Cash Flows
(in thousands of dollars)

Six months ended June 30, 2012, with December 31, 2011 comparative figures

	June 30, 2012	Dec. 31 2011
Cash provided by (used for):		
Operating Transactions:		
Excess (deficit) for the period	$ 40,893	$ (52,472)
Non-cash charges to operations	1,933	102,418
Changes in non-cash operating working capital	(182,303)	(19,299)
Net change in cash from operating transactions	(139,477)	30,647
Capital Transactions:		
Purchase of capital assets funded by government transfers	(6,356)	(11,354)
Purchase of capital assets	(62,613)	(90,486)
Net proceeds from disposal of capital assets	51,516	12,553
Net change in cash from capital transactions	(17,453)	(89,287)
Investing Transactions:		
Decrease (increase) in restricted cash and investments	4,369	(237,767)
Decrease (increase) in investments	105,087	(48,196)
Increase in debt reserve deposits	(632)	(1,393)
Net change in cash from investing transactions	108,824	(287,356)
Financing Transactions:		
Debt proceeds	130,000	200,000
Issue costs on financing	(1,569)	(2,947)
Repayments of debt	(2,120)	(2,068)
Contributions to debt sinking funds	(133,847)	(111,034)
Lease inducements received - net	(92)	446
Government transfers received for capital additions	1,987	249,119
Net change in cash from financing transactions	(5,641)	333,516
Decrease in cash	(53,747)	(12,480)
Cash, beginning of period	94,290	106,770
Cash, end of period	$ 40,543	$ 94,290
Supplementary information:		
Interest paid	$ 80,226	$ 152,733

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Cash Flows (continued)
(in thousands of dollars)

Six months ended June 30, 2012, with December 31, 2011 comparative figures

	June 30, 2012	Dec. 31, 2011
Non-cash charges to operations:		
Amortization of capital assets	$ 76,520	$ 161,178
Amortization of bond discount	1,141	1,820
Amortization of debt issue cost	535	1,004
Amortization of deferred concessionaire credits	(11,604)	(23,345)
Amortizaton of deferred government transfers	(30,042)	(60,593)
Interest accretion on contractor liability	6,332	19,305
(Gain)/Loss on disposal and write down of tangible capital assets	(40,949)	3,048
	$ 1,933	$ 102,417
Changes in non-cash operating working capital:		
Increase in accounts receivable	$ (151,210)	$ (4,072)
Increase in supplies inventory	(708)	(3,099)
Increase in prepaid expenses	(7,714)	1,220
Decrease in accounts payable and accrued liabilities	(26,721)	(23,095)
Employee future benefit payable	4,050	9,747
	$ (182,303)	$ (19,299)

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY
Segment Report
Six months ended June 30, 2012, with comparative figures for 2011

	Aircare	Bus division	Corporate	Rail division	Road & Bridge	Transit Police	2012	2011
Revenues								
Taxation	$ -	$ -	$ 348,905	$ -	$ -	$ -	$ 348,905	$ 339,402
Transit	-	-	226,550	-	-	-	226,550	216,926
Golden Ears Bridge tollings	-	-	-	-	18,461	-	18,461	15,695
Emissions testing	10,426	-	-	-	-	-	10,426	9,498
Government transfers	-	-	40,018	-	-	-	40,018	40,517
Amortization of deferred concessionaire credit	-	-	-	11,604	-	-	11,604	11,471
Interest income	-	-	14,434	-	-	-	14,434	11,533
Miscellaneous revenue	-	1,075	56	707	-	97	1,935	2,099
Gain on disposal	-	-	40,949	-	-	-	40,949	19
	10,426	1,075	670,912	12,311	18,461	97	713,282	647,160
Expenses								
Administration	130	3,046	6,169	1,174	44	806	11,369	9,628
Amortization of capital assets	-	39,306	2,560	25,358	9,289	7	76,520	76,528
Capital infrastructure contributions	-	-	-	-	6,019	-	6,019	10,590
Contracted services	7,453	32,224	-	60,660	5,231	-	105,568	101,232
Fuel & power	-	28,764	12	6,660	-	63	35,499	31,302
Insurance	2	6,251	85	2,078	558	21	8,995	9,188
Interest	-	28,115	1,834	18,141	39,967	5	88,062	84,859
Maintenance, materials and utilities	2	24,239	349	7,947	17,118	411	50,066	48,393
Professional & legal	25	285	5,625	1,054	333	166	7,488	4,865
Rentals, leases and property tax	67	7,623	3,575	6,451	42	493	18,251	18,151
Salaries, wages and benefits	559	200,559	19,306	31,846	1,175	11,107	264,552	260,790
	8,238	370,412	39,515	161,369	79,776	13,079	672,389	655,526
Surplus (deficit) for the period	$ 2,188	$ (369,337)	$ 631,397	$ (149,058)	$ (61,315)	$ (12,982)	$ 40,893	$ (8,366)

Schedule 2 Funded Statement of Operations

TransLink (Excluding AirCare)
2012 Revenue and Expenditure Summary Statement
On a Funding Basis
$000's

A. Revenues and Expenditures

($000's)	Q2 YTD 2011	Q2 YTD 2012	YTD Fav/(Unfav) to 2011	Q2 2012 Budget	YTD Fav/(Unfav) to Budget	Forecast 2012	2012 Budget	ANNUAL Fav/(Unfav) to Budget
Revenues								
Transit	216,926	226,537	9,611	226,125	412	457,918	456,154	1,764
Golden Ears Bridge Tolls	15,695	18,461	2,766	18,100	361	39,741	38,962	779
Taxation								
Fuel	156,445	160,281	3,836	160,380	(99)	330,783	330,783	-
Property and Replacement	148,061	152,750	4,689	152,784	(34)	305,441	305,568	(127)
Hydro Levy	9,304	9,446	142	9,458	(12)	19,225	19,237	(12)
Parking Sales	25,592	26,428	836	25,900	528	52,128	51,600	528
Total Taxation	**339,402**	**348,905**	**9,503**	**348,522**	**383**	**707,577**	**707,188**	**389**
Interest Income	1,308	1,509	201	1,581	(72)	3,083	2,124	959
Senior Government Operating Contributions	9,555	9,938	383	9,555	383	19,832	19,670	162
Miscellaneous Revenue		1,935	1,935	936	999	2,000	1,823	177
Total Revenues	**582,886**	**607,285**	**24,399**	**604,819**	**2,466**	**1,230,151**	**1,225,921**	**4,230**
Expenditures								
Roads & Bridges								
Major Road Network Operations	16,944	17,126	(182)	17,876	750	34,756	35,726	970
Golden Ears Bridge Operations	5,737	5,913	(176)	6,456	543	13,107	13,202	95
Admin	960	1,462	(502)	1,598	136	3,025	3,207	182
Total Roads & Bridges	**23,641**	**24,501**	**(860)**	**25,930**	**1,429**	**50,888**	**52,135**	**1,247**
Transit								
Bus Division								
Coast Mountain Bus Company	263,105	269,515	(6,410)	277,148	7,633	542,276	557,510	15,234
Access Transit	23,456	24,607	(1,151)	24,555	(52)	49,394	49,209	(185)
Other Contractors	9,067	9,499	(432)	9,466	(33)	19,396	19,233	(163)
Total Bus Division	**295,628**	**303,621**	**(7,993)**	**311,169**	**7,548**	**611,066**	**625,952**	**14,886**
Rail Division								
Expo and Millenium Lines	47,672	50,000	(2,328)	51,900	1,900	104,577	105,230	653
West coast Express	14,391	14,794	(403)	14,903	109	30,310	30,066	(244)
Canada Line	48,143	53,077	(4,934)	53,892	815	107,711	108,891	1,180
Total Rail Division	**110,206**	**117,871**	**(7,665)**	**120,695**	**2,824**	**242,598**	**244,187**	**1,589**
Total Transit	**405,834**	**421,492**	**(15,658)**	**431,864**	**10,372**	**853,664**	**870,139**	**16,475**
TransLink	**26,319**	**35,068**	**(8,749)**	**39,339**	**4,271**	**80,830**	**81,320**	**490**
Transit Police	**13,165**	**13,068**	**97**	**14,538**	**1,470**	**28,449**	**29,696**	**1,247**
Provision for Contingencies and Reinvestments	-	-	-	-	-	**11,431**	**11,431**	-
Interest Expense	**52,145**	**54,741**	**(2,596)**	**50,845**	**(3,896)**	**109,136**	**106,053**	**(3,083)**
Depreciation Expense	**4,412**	**4,390**	**22**	**4,613**	**223**	**10,398**	**13,275**	**2,877**
Debt Repayment	**46,729**	**48,189**	**(1,460)**	**48,467**	**278**	**97,752**	**101,004**	**3,252**
GEB Capital Payments	**20,599**	**27,033**	**(6,434)**	**27,175**	**142**	**54,632**	**54,807**	**175**
Total Expenditures	**592,844**	**628,482**	**(35,638)**	**642,771**	**14,289**	**1,297,180**	**1,319,860**	**22,680**
Annual Surplus/(Deficit) before other items	**(9,958)**	**(21,197)**	**(11,239)**	**(37,952)**	**16,755**	**(67,029)**	**(93,939)**	**26,910**
Other items								
Foreign Exchange	(1)	(13)	12	-	13	(13)	-	13
Add on disposal of capital assets	(19)	(40,949)	40,930	-	40,949	(55,708)	(55,942)	(234)
Annual Surplus/(Deficit) before AirCare	**(9,938)**	**19,765**	**29,703**	**(37,952)**	**57,717**	**(11,308)**	**(37,997)**	**26,689**

B. Cumulative Funded Surplus

Opening Balance	**321,976**	**287,720**	**(34,256)**	**287,720**	-	**287,720**	**287,720**	-
Surplus / (Deficit) for the year	(9,938)	19,765	29,703	(37,952)	57,717	(11,308)	(37,997)	26,689
Closing Balance	**312,038**	**307,485**	**(4,553)**	**249,768**	**57,717**	**276,412**	**249,723**	**26,689**

* The funded statement of operations does not include AirCare as it is a self funded program

Appendix 1 Bus Operations

BUS DIVISION	Q2 2011 Actual	Q2 2012 Actual	Variance to Actual	Q2 2012 Target	Variance to Target
CONVENTIONAL TRANSIT (BUS)					
Customer					
Overall performance rating out of 10	7.7	7.7	-	-	7.7
Complaints per 1 m boarded passengers	115.8	92.5	23.3	109.7	17.2
Preventable collisions per million kms.	8.2	8.8	(0.6)	7.6	(1.2)
Passenger injuries per 1 million boarded passengers	3.58	3.3	0.25	-	-
Perception of Safety (On-Board & At stops and exchanges) out of 10	8.3	8.4	(0.1)	8.5	0.1
Delivered service hours/scheduled	99.77%	99.68%	(0.09%)	99.50%	0.18%
Internal Effectiveness					
Operating cost per passenger km.	$0.378	$0.355	$(0.023)	$0.381	$0.026
Operating cost (excluding energy) per passenger km.	$0.341	$0.317	$(0.024)	$0.340	$0.023
Operating Cost per capacity kilometre	$0.113	$0.116	$0.003	$0.119	$0.003
Boardings per service hour	47.00	50.30	3.30	47.90	2.40
Utilization (Passenger Kms./Capacity Kms.)	28.8%	31.5%	2.7%	30.1%	1.4%
Mean distance between vehicle failures	30,391	29,208	(1,183)	28,992	216
People					
Lost time frequency (per 200,000 hours worked)	6.07	5.19	0.88	6.00	0.81
Service Statistics					
Service Hours	2,451,405	2,475,369	23,964	2,476,540	(1,171)
Service Kilometres	47,554,582	48,196,035	641,453	48,183,985	12,050
Boarded Passengers	115,124,801	124,551,750	9,426,949	118,575,342	5,976,408
CMBC					
Customer					
Overall performance rating out of 10	7.6	7.6	-	7.6	-
Complaints per 1 m boarded passengers	117.8	92.9	24.9	113.8	20.9
Preventable collisions per million kms.	8.4	8.9	(0.5)	8.0	(0.9)
Passenger injuries per 1 million boarded passengers	3.62	3.39	0.23	-	-
Perception of Safety (On-Board & At stops and exchanges) out of 10	8.3	8.4	0.1	8.5	0.1
Delivered service hours/scheduled	99.76%	99.66%	(0.10%)	99.50%	0.16%
Internal Effectiveness					
Operating cost per passenger km.	$0.381	$0.356	$(0.025)	$0.385	$0.029
Operating cost (excluding energy) per passenger km.	$0.345	$0.318	$(0.027)	$0.344	$0.026
Operating Cost per capacity kilometre	$0.113	$0.116	$0.003	$0.132	$0.016
Boardings per service hour	47.30	50.90	3.60	48.30	2.60
Utilization (Passenger Kms./Capacity Kms.)	28.7%	31.5%	2.8%	29.9%	1.6%
Mean distance between vehicle failures	30,391	29,208	(1,183)	28,992	216
People					
Lost time frequency (per 200,000 hours worked)	6.07	5.19	0.88	5.51	0.32
Service Statistics					
Service Hours	2,341,256	2,366,049	24,793	2,366,850	(801)
Service Kilometres	45,080,595	45,783,555	702,960	45,735,085	48,470
Boarded Passengers	110,755,757	120,478,921	9,723,164	114,386,394	6,092,527

BUS DIVISION (Continued)	Q2 2011 Actual	Q2 2012 Actual	Variance to Actual	Q2 2012 Target	Variance to Target
CONTRACTED SERVICES					
Customer					
Overall performance rating out of 10	8.1	8.3	0.2	-	-
Complaints per 1 m boarded passengers	64.8	80.5	(15.7)	-	-
Preventable collisions per million kms.	4.5	7.5	(3.0)	-	(7.5)
Passenger injuries per 1 million boarded passengers	2.52	1.7	0.80	-	1.72
Perception of Safety (On-Board & At stops and exchanges) out of 10	9.0	8.8	(0.2)	-	-
Delivered service hours/scheduled	99.90%	99.96%	0.06%	99.95%	0.01%
Internal Effectiveness					
Operating cost per passenger km.	$0.302	$0.332	$0.030	$0.303	$(0.029)
Operating cost (excluding energy) per passenger km.	$0.257	$0.278	$0.021	$0.255	$(0.023)
Operating Cost per capacity kilometre	$0.096	$0.102	$0.006	$0.101	$(0.001)
Boardings per service hour	39.70	37.30	(2.40)	38.20	(0.90)
Utilization (Passenger Kms./Capacity Kms.)	31.8%	30.9%	(0.9%)	33.3%	(2.4%)
Mean distance between vehicle failures	82,133	13,553	(68,580)	-	-
Service Statistics					
Service Hours	110,149	109,320	(829)	109,690	(370)
Service Kilometres	2,463,987	2,412,480	(51,507)	2,448,900	(36,420)
Boarded Passengers	4,369,044	4,072,829	(296,215)	4,188,948	(116,119)
ACCESS TRANSIT					
Customer					
Overall performance rating out of 10	8.2	8.4	0.2	-	-
Complaints per 1 m boarded passengers	858.8	953.9	(95.1)	786.7	(167.2)
Preventable collisions per million kms.	25.1	13.7	11.4	-	(13.7)
Passenger injuries per 1 million boarded passengers	25.98	32.45	(6.47)	18.39	14.06
Perception of Safety (On-Board & At stops and exchanges) out of 10	9.1	8.9	(0.2)	-	-
Delivered service hours/scheduled	100.00%	100.00%	-	100.00%	-
Internal Effectiveness					
Operating cost per passenger km.	$6.253	$6.250	$(0.003)	$6.379	$0.129
Operating cost (excluding energy) per passenger km.	$5.885	$5.854	$(0.031)	$5.987	$0.133
Boardings per service hour	2.55	2.58	0.03	2.54	0.04
Service Statistics					
Service Hours	301,638	298,204	(3,434)	300,061	(1,857)
Service Kilometres	5,093,906	5,029,625	(64,281)	4,984,700	44,925
Boarded Passengers	769,718	770,518	800	761,414	9,104

Appendix 2 Rail Operations

RAIL DIVISION	Q2 2011 Actual	Q2 2012 Actual	Variance to Actual	Q2 2012 Target	Variance to Target
TOTAL RAIL					
Customer					
Overall performance rating out of 10	8.4	8.4	-	8.3	0.1
Complaints per 1 m boarded passengers	12.0	11.5	0.5	8.4	(3.1)
On-time performance % (within 2 minutes) Expo/Millenium	95.40%	96.00%	0.60%	94.50%	1.50%
On-time performance % (within 5 minutes) WCE	97.80%	96.10%	(1.70%)	97.70%	(1.60%)
Collisions and derailments per million kms.	0.04	-	(0.04)	-	-
Passenger injuries per 1 million boarded passengers	0.96	0.75	0.21	-	(0.75)
Perception of Safety (On-Board & At stops and exchanges) out of 10	8.0	8.1	0.1	7.5	0.6
Internal Effectiveness					
Operating cost per passenger km.	$0.160	$0.168	$(0.008)	$0.167	$(0.001)
Operating cost (excluding energy) per passenger km.	$0.153	$0.159	$0.006	$0.159	-
Operating Cost per capacity kilometre	$0.037	$0.038	$(0.001)	$0.039	$0.001
Boardings per service hour	87.9	88.3	0.4	90.6	(2.3)
Utilization (Passenger Kms./Capacity Kms.)	23.1%	22.7%	(0.4%)	23.3%	(0.6%)
Mean distance between vehicle failures	581,642	779,998	198,356	531,437	248,561
Overall mystery shopper score	93.1%	92.0%	(1.1%)	93.2%	(1.2%)
People					
Lost time frequency (per 200,000 hours worked)	3.54	1.97	1.57	2.80	0.83
Service Statistics					
Service Hours	688,506	692,901	4,395	702,699	(9,798)
Service Kilometres	27,181,828	27,313,929	132,101	27,703,941	(390,012)
Boarded Passengers	60,505,922	61,188,600	682,678	63,698,056	(2,509,456)
West Coast Express					
Customer					
Overall performance rating out of 10	8.4	8.6	0.2	-	(8.6)
Complaints per 1 m boarded passengers	194.1	187.6	6.5	150.7	(36.9)
Service reliability (% service hours delivered)	99.8%	99.8%	-	99.9%	(0.1%)
On-time performance within 5 minutes	97.8%	96.1%	(1.7%)	97.7%	(1.6%)
Collisions & Derailments per million kms.	-	-	-	-	-
Passenger injuries per 1 million boarded passengers	-	1.36	1.36	0.98	(0.38)
Perception of Safety (On-Board & At stops and exchanges) out of 10	-	-	-	-	-
Internal Effectiveness					
Operating cost per passenger km.	$0.189	$0.181	$0.008	$0.190	$0.009
Operating cost (excluding energy) per passenger km.	$0.176	$0.166	$0.010	$0.174	$0.008
Operating Cost per capacity kilometre	$0.085	$0.083	$0.002	$0.088	$0.005
Boardings per service hour	65.7	70.2	4.5	69.3	0.9
Utilization (Passenger Kms./Capacity Kms.)	45.1%	46.1%	1.0%	46.0%	0.1%
Mean distance between vehicle failures	233,274	139,712	(93,562)	231,437	(91,725)
Overall mystery shopper score	89.7%	85.4%	(4.3%)	90.0%	(4.6%)
People					
Lost time frequency (per 200,000 hours worked)	-	-	-	-	-
Service Statistics					
Service Hours	21,642	20,890	(752)	21,082	(192)
Service Kilometres	766,713	751,334	(15,379)	750,202	1,132
Boarded Passengers	1,422,204	1,465,550	43,346	1,460,056	5,494

RAIL DIVISION (Continued)	Q2 2011 Actual	Q2 2012 Actual	Variance to Actual	Q2 2012 Target	Variance to Target
Expo & Millenium Line					
Customer					
Overall performance rating out of 10	8.2	8.2	-	8.3	(0.1)
Complaints per 1 m boarded passengers	4.4	5.0	(0.6)	5.0	-
Service reliability (% service hours delivered)	99.7%	99.8%	0.1%	99.8%	-
On-time performance %	95.4%	96.0%	0.6%	95.4%	0.6%
Collisions & Derailments per million kms.	0.04	-	(0.04)	-	-
Passenger injuries per 1 million boarded passengers	1.45	1.17	0.28	1.20	0.03
Perception of Safety (On-Board & At stops and exchanges) out of 10	7.7	7.8	0.1	7.5	0.3
Internal Effectiveness					
Operating cost per passenger km.	$0.117	$0.121	$(0.004)	$0.122	$0.001
Operating cost (excluding energy) per passenger km.	$0.107	$0.110	$(0.003)	$0.111	$0.001
Operating Cost per capacity kilometre	$0.021	$0.022	$(0.001)	$0.023	$0.001
Boardings per service hour	68.7	68.7	-	70.8	(2.1)
Utilization (Passenger Kms./Capacity Kms.)	18.4%	18.0%	(0.4%)	18.6%	(0.6%)
Mean distance between vehicle failures	348,368	640,555	292,187	300,000	340,555
Overall mystery shopper score	93.8%	94.7%	0.9%	91.0%	3.7%
People					
Lost time frequency (per 200,000 hours worked)	3.54	1.97	1.57	2.80	0.83
Service Statistics					
Service Hours	580,437	574,694	(5,743)	584,365	(9,671)
Service Kilometres	23,391,605	23,160,189	(231,416)	23,549,919	(389,730)
Boarded Passengers	39,898,625	39,460,201	(438,424)	41,381,000	(1,920,799)
Canada Line					
Customer					
Overall performance rating out of 10	8.7	8.7	-	8.3	0.4
Complaints per 1 m boarded passengers	14.2	11.3	2.9	5.0	6.3
Perception of Safety (On-Board & At stops and exchanges) out of 10	8.5	8.7	0.2	8.5	0.2
Internal Effectiveness					
Operating cost per passenger km.	$0.244	$0.254	$(0.010)	$0.251	$(0.003)
Operating cost (excluding energy) per passenger km.	$0.244	$0.254	$(0.010)	$0.251	$(0.003)
Operating Cost per capacity kilometre	$0.095	$0.093	$0.002	$0.095	$0.002
Boardings per service hour	222.0	208.2	(13.8)	214.5	(6.3)
Utilization (Passenger Kms./Capacity Kms.)	39.1%	36.7%	(2.4%)	37.8%	(1.1%)
Contract adherence monitoring	95.7%	95.9%	0.2%	98.5%	(2.6%)
Service Statistics					
Service Hours	86,427	97,317	10,890	97,252	65
Service Kilometres	3,023,510	3,403,820	380,310	3,403,820	-
Boarded Passengers	19,185,093	20,262,849	1,077,756	20,857,000	(594,151)

Caution Regarding Forward-Looking Statements

From time to time, TransLink makes written and/or oral forward looking statements, including in this document, and in other communications, in addition, representatives of TransLink may make forward-looking statements orally to analysts, investors, the media and others.

Forward-looking statements, by their nature, require TransLink to make assumptions and are subject to inherent risk and uncertainties. In light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties, many of which are beyond TransLink's control, and the effects of which can be difficult to predict, may cause actual results to differ materially from the expectations expressed in the forward-looking statements.